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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 /020 R

66611

DRAFTED BY: EB/ORF/OFPP/FPD:RSSIMPSON:JV

APPROVED BY: EB/ORF/OFPP:JAPLACKE

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P 312136Z DEC 74

FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

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FOLLOWING REPEAT STATE 282970 ACTION CANBERRA WELLINGTON
DUBLIN INFO GENEVA OECD PARIS OTTAWA 28 DECEMBER.

QUOTE

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E.O. 11652: GDS

TAGS: EAGR, OECD

SUBJECT: 1975 MEAT IMPORT PROGRAM

1. PURSUANT TO U.S. DECISION TO SEEK VOLUNTARY EXPORT RESTRAINTS IN 1975 FROM COUNTRIES SUPPLYING MEAT UNDER 1964 MEAT IMPORT LAW, ACTING ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS, JULIUS L. KATZ INFORMED LOCAL EMBASSY OFFICIALS (SMITH OF AUSTRALIA, HOLDEN OF NEW ZEALAND, AND CULLEN OF IRELAND) OF DETAILS OF PROPOSED U.S. 1975 MEAT IMPORT PROGRAM. HE SAID USDA'S ESTIMATE OF 1975 IMPORTS IN THE ABSENCE OF RESTRAINTS WAS 1,400 MILLION POUNDS WHICH IS SUBSTANTIALLY ABOVE 1975 "TRIGGER LEVEL" (I.E., LEVEL AT WHICH IMPORT QUOTAS ARE TRIGGERED UNDER THE LAW) WHICH IS 1,181.7 MILLION POUNDS. THE ADJUSTED BASE QUOTA FOR 1975 IS 1,074 MILLION POUNDS; THIS IS THE LEVEL AT WHICH QUOTAS ARE TO BE IMPOSED IN 1975 IF TRIGGERED UNDER THE LAW.

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2. THE U.S. DECISION WAS TO SEEK VOLUNTARY EXPORT

RESTRAINTS WHICH WOULD PROVIDE SOME CERTAINTY AND REASSURANCE TO FINANCIALLY TROUBLED U.S. CATTLE INDUSTRY AND ASSURE ADEQUATE FUTURE DOMESTIC SUPPLIES OF BEEF. SINCE THE SECRETARY OF AGRICULTURE IS REQUIRED BY LAW TO RELEASE HIS FIRST QUARTERLY ESTIMATE OF 1975 MEAT IMPORTS BY JANUARY 1, AND SINCE THERE IS NOT TIME TO RECEIVE FIRM REACTIONS FROM EXPORTING COUNTRIES BEFORE THAT DATE, THE U.S. IS PROCEEDING UNDER THE ASSUMPTION THAT A VOLUNTARY PROGRAM CAN BE NEGOTIATED AT THE LEVEL OF 1,150 MILLION POUNDS--OR ABOUT 30 MILLION POUNDS BELOW THE TRIGGER LEVEL. THUS THE SECRETARY OF AGRICULTURE'S ESTIMATE, TO BE ANNOUNCED ON DECEMBER 30 OR 31, WILL BE 1,150 MILLION POUNDS. IF OUR ASSUMPTION PROVES WRONG, THE SECRETARY'S ESTIMATE AND OUR ACTIONS UNDER THE 1964 LA, CAN BE CORRECTED AT A LATER DATE.

3. THE U.S. IS FURTHER PROPOSING TO USE AS A BASIS FOR ALLOCATING THIS QUOTA, IMPORTS FROM COUNTRIES PREVIOUSLY PARTICIPATING IN VOLUNTARY RESTRAINTS DURING THE THREE YEAR PERIOD ENDING JUNE 30, 1974. THIS PERIOD ENCOMPASSES TWO YEARS (JULY 1972 - JUNE 1974) OF NO IMPORT RESTRICTIONS AND ONE YEAR OF VOLUNTARY RESTRAINTS. IT ACCORDS WITH U.S. COMMITMENT IN JULY 1972 THAT PERFORMANCE OF SUPPLYING COUNTRIES DURING PERIOD OF MEAT SHORTAGES IN U.S. WOULD BE TAKEN INTO ACCOUNT IN CONSIDERING FUTURE VOLUNTARY RESTRAINTS. SHARES UNDER NEW FORMULA WOULD BE (ROUNDED TO FIRST DECIMAL) AUSTRALIA, 54.2 PERCENT; NEW ZEALAND, 21.9 PERCENT; AND IRELAND, 3.0 PERCENT. UNDER LAST (1972) VOLUNTARY PROGRAM, SHARES WERE 52.0 PERCENT, 21.7 PERCENT, AND 6.5 PERCENT, RESPECTIVELY. NEW SHARES WOULD BE APPLIED TO 1,131.9 MILLION POUNDS WHICH IS 1,150 MILLION POUNDS LESS FOLLOWING AMOUNTS ASSIGNED TO COUNTRIES NOT EXPECTED TO PARTICIPATE IN VOLUNTARY RESTRAINTS: CANADA, 17 MILLION POUNDS, UNITED KINGDOM, 1 MILLION POUNDS AND BELIZE, 0.1 MILLION POUNDS. THUS PROPOSED RESTRAINTS WOULD BE AUSTRALIA, 613.3 MILLION POUNDS; NEW ZEALAND, 248.4 MILLION POUNDS AND IRELAND 34.1 MILLION POUNDS.

4. IN EXPLAINING PROPOSED PROGRAM, KATZ EMPHASIZED THAT U.S. REGRETTED HAVING TO REQUEST RENEWED RESTRICTIONS, LIMITED OFFICIAL USE

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BUT THAT U.S. POSITION AS ONLY OPEN WORLD MARKET FOR BEEF HAD BECOME UNTENABLE. BUILDUP OF HERDS AND MEAT EXPORT POTENTIAL, PARTICULARLY IN AUSTRALIA AND NEW ZEALAND, AND CLOSURE OF OTHER MARKETS CAST CLOUD OF UNCERTAINTY OVER U.S. CATTLE INDUSTRY THAT HAD TO BE DEALT WITH. KATZ ALSO STRESSED THAT 1975 WAS YEAR OF UNUSUAL UNCERTAINTY FOR U.S. MEAT AND LIVESTOCK SECTOR AND THAT IT WOULD BE NECESSARY TO REVIEW RESULTS OF

VOLUNTARY PROGRAM AGAINST POSSIBILITY OF CHANGED CONDITIONS
LATER IN YEAR. THE U.S. WAS NOT FORECLOSING POSSIBILITY
OF EVENTUAL MODIFICATION OF SYSTEM AND FOR THIS REASON
AS WELL AS OTHERS, PREFERRED MORE FLEXIBLE VOLUNTARY
RESTRAINTS OVER RIGID QUOTAS.

5. ALL THREE EMBASSIES EXPRESSED AGREEMENT THAT VRS WERE
PREFERABLE TO QUOTAS BUT AUSTRALIA AND NEW ZELAND

EXPRESSED DISAPPOINTMENT THAT SUSPENSION OF RESTRICTIONS
AND MONITORING COULD NOT BE CONTINUED IN VIEW THAT
U.S. IMPORTS HAVE DROPPED OFF SIGNIFICANTLY BECAUSE OF
UNATTRACTIVE IMPORTED MEAT PRICES AND THAT NO CHANGE IS
ON THE HORIZON. AUSTRALIA ALSO EXPRESSED CONCERN THAT
NON-PARTICIPATING CANADA MIGHT NOT BE HELD TO 17 MILLION
POUNDS IN 1975 IF CURRENT U.S. RETALIATORY QUOTAS ON
CANADIAN MEAT LIFTED. ALL SAID THEY WOULD REPORT THEIR
GOVERNMENTS' REACTIONS ASAP BUT NOTED THAT HOLIDAY SEASON
MIGHT DELAY.

6. ABOVE SHOULD SERVE AS GUIDANCE FOR CONFIDENTIAL
CONVERSATIONS WITH HOST GOVERNMENTS. PROPOSED SHARES
AND QUOTA AMOUNTS SHOULD NOT, RPT NOT, BE MADE PUBLIC.
AS IN PAST, PRIMARY NEGOTIATIONS WITH AUSTRALIA,
NEW ZEALAND AND IRELAND WILL BE HANDLED BY DEPARTMENT
HERE. WE ALSO CONTACTING LATIN AMERICAN COUNTRIES
WHICH WILL BE ASKED TO PARTICIPATE IN 1975 PROGRAM.
TEST OF SECRETARY OF AGRICULTURE'S FIRST QUARTERLY
ESTIMATE WILL BE CABLED WHEN RELEASED.

7. FOR OTTAWA. WE ALSO NOTIFIED CANADIAN EMBASSY OF
DECISION SEEK VOLUNTARY RESTRAINTS. NO ACTION CALLED
FOR FROM CANADA AT THIS TIME SINCE WE ASSUMING IMPORTS
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FROM CANADA WILL BE HELD TO 17 MILLION POUNDS UNDER
EXISTING QUOTA. SHOULD THIS SITUATION CHANGE WE WILL NEED
TO REVIEW MARKET FORECASTS AND DETERMINE WHAT ACTION
REQUIRED. BROWN UNQUOTE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 31 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE282970
Document Source: CORE
Document Unique ID: 00
Drafter: EB/ORF/OFPP/FPD:RSSIMPSON:JV
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974121/aaaaaaaf.tel
Line Count: 158
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2002 by boyleja>; APPROVED <23-Aug-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: 1975 MEAT IMPORT PROGRAM
TAGS: EAGR, OECD
To: LONDON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005